

**Written Testimony of Rick Gonzales
Senior Vice President and Chief Operating Officer
New York Independent System Operator**

**Assembly Standing Committee on Energy
*Kevin A. Cahill, Chairman***

**Assembly Standing Committee on Corporations, Authorities and
Commissions**

James F. Brennan, Chairman

**Assembly Standing Committee on Cities
*Carl E. Heastie, Chairman***

Public Hearing on Issues surrounding the Public Service Commission's (PSC) September 2010 approval of the Hudson Transmission Project (HTP), a 345 kilovolt underwater electric transmission line

**New York City
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Good morning Chairman Cahill, Chairman Brennan, and Chairman Heastie, and Members of the Assembly Standing Committees on Energy, Corporations, Authorities and Commissions, and Cities. Thank you for the opportunity to address the NYISO's responsibilities with respect to the Hudson Transmission Project.

My name is Rick Gonzales, Senior Vice President and Chief Operating Officer for the NYISO. I have over 25 years of electric industry experience, primarily in the areas of power control center operations and

wholesale energy market administration. I oversee NYISO grid reliability, wholesale market operations, system planning, and information technology.

The New York ISO is a federal and state regulated not-for-profit corporation that began operations in 1999. The NYISO carries out three primary functions. The first is to operate New York's electric system, in accordance with all national, regional and state reliability requirements. The second is to administer the state's wholesale electricity markets. And the third is to conduct planning to ensure that the state's electric system will continue to operate reliably in the future.

The NYISO is testifying today about its planning role with respect to the Hudson Transmission Project, or "HTP" for short. This project would connect Public Service Electric and Gas' Bergen station in New Jersey to Con Edison's West 49th Street station in New York City. At this time, it has rights to withdraw up to 320 MW of firm capacity from the neighboring PJM Interconnection. HTP proposes to begin operation in the second quarter of 2013.

The NYISO is not here today to advocate for or against the HTP Project. The NYISO is independent of its market participants and has no

financial stake in the outcome of any proposed project. The NYISO is also not testifying as to HTP's environmental or economic impacts, or about the New York State Public Service Commission's decision to grant a certificate for HTP. Rather, the NYISO will explain its limited role in the planning of the project, which was principally focused on reliability.

For any proposed facility, such as HTP, the NYISO carries out two primary planning roles. The first is to ensure that the facility can be safely interconnected, and the second is to evaluate how the new facility and other proposed projects will affect future reliability. There are several studies required for a proposed project to interconnect. These studies identify whether additional electric system upgrades are needed and how the costs of those upgrades are allocated among project developers. HTP submitted its original Interconnection Request to the NYISO in December 2005 and all necessary studies and agreements were completed in April 2010. These NYISO studies confirm that HTP can be safely interconnected without impacting system reliability.

The NYISO's second role is to evaluate a project's impact on short-term and long-term reliability of the New York system. In the short term, the NYISO conducts studies for the New York State Reliability Council to ensure the system has sufficient capacity resources to meet each summer's expected peak demand. On a day-to-day basis, the NYISO operates the state's transmission system and administers its wholesale electricity markets to meet each day's demand.

In the long term, the NYISO conducts a Reliability Needs Assessment (RNA) to determine whether New York State will have sufficient resources for the next ten years. In the NYISO's most recent 2010 RNA, the study found that under expected system conditions, additional resources would not be needed to meet reliability through the year 2020. However, the RNA study included a scenario that evaluated the impact of both Indian Point units' licenses not being renewed. The study found that, without the Indian Point plant available, there would not be sufficient resources from years 2016 through 2020.

These NYISO reliability assessments raise the question of what replacement resources could be available if the Indian Point plant closes. A

576 MW power plant in NYC is scheduled to come into service this summer and another 500 MW plant is expected before summer 2012. By 2016, assuming the Indian Point plant is closed, and with the addition of only the two new NYC power plants, the system would still need approximately 1,000 MWs of additional replacement resources.

There are currently a number of generation projects in the NYISO interconnection queue proposed in the Hudson Valley and New York City area that could come into service by 2016. These proposed generation projects total 2,000 MWs of resource capacity. Additionally, several merchant transmission projects, including HTP, have been proposed that could bring up to 3,000 MWs of additional resources from neighboring areas or from within New York by 2016.

The next study that will evaluate the state's future reliability needs will be the NYISO's 2012 RNA. If the RNA study finds that there is a future reliability need that is not being met, the NYISO would report those findings to its Market Participants and solicit market-based solutions to meet the identified need. At the same time, the NYISO would require the affected New York State Transmission Owners to submit a plan for a "regulatory

backstop solution” that could be implemented in case the market-based projects do not materialize. In the event that market-based solutions are not sufficient or not timely, the New York State Public Service Commission would decide what regulated backstop solution should be built in collaboration with the NYISO and the affected Transmission Owners. The NYISO itself does not select or build projects to meet reliability needs.

Thank you for the opportunity this morning to address the Assembly Committees. I would be happy to answer any questions you have.